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TAGS: [ECPS](#) [ECON](#) [PREL](#) [YI](#)  
SUBJECT: KOSOVO: SECOND MOBILE TENDER PROCESS COMPLICATED  
BY POLITICAL AND COMMERCIAL CONCERNS

REF: (A) PRISTINA 752 (B) PRISTINA 966

Classified By: COM Tina S. Kaidanow for reasons 1.4 (b) and (d).

¶1. (C) Summary. Nenad Popovic, the Government of Serbia's (GOS) economic advisor to the Kosovo final status negotiations team and Serbian CCK representative, has requested that UNMIK stop the Kosovo Telecommunications Regulatory Authority (TRA) from dismantling equipment owned by Telecom Serbia to provide service to Kosovo Serbs and thus protect the company's business interests. UNMIK has allowed Telecom Serbia and Mobtel (the latter now owned by Norwegian company Telenor) to operate in Kosovo Serb areas without a license to ensure that Kosovo Serbs receive mobile telephony services. However, a plethora of illegal mobile phone service providers, including the Serbian companies, are now operating in Kosovo, constituting a serious obstacle to the successful issuance of a second mobile license -- a key commercial and economic prospect for Kosovo. In light of this, UNMIK has decided to allow TRA to take action against all such companies operating without license, though it has specifically prohibited any action to dismantle cell towers in Serb enclaves. American firms are interested in competing for the mobile tender, and have complained about the illegal mobile operators and the presence of Telecom Serbia and Telenor/Mobtel, among others, noting that these firms have an unfair advantage via their existing presence and the continuing illegal expansion of their network throughout Kosovo. While there are obvious political consequences to dismantling illegal Serbian operators in Kosovo, there is a compelling long-term interest in ensuring that the tender and mobile telephony market are clear, fair and transparent. End Summary.

POPOVIC SEEKS TO STOP TRA'S ACTION AGAINST THE ILLEGAL  
EXPANSION OF TELECOM SERBIA'S MOBILE PHONE OPERATIONS

¶2. (SBU) Nenad Popovic, the Government of Serbia's (GOS) economic advisor in the Kosovo final status negotiations team, has requested that UNMIK stop the Kosovo Telecommunications Regulatory Authority (TRA) from dismantling antennas, communications towers and other equipment owned by Telecom Serbia to provide service to Kosovo Serbs and protect the company's business interests. In a letter sent to USOP, Popovic claims that the TRA's

actions are illegal since, in his words, Telecom Serbia is licensed to do business "on the entire territory of the Republic of Serbia, which includes the territory of Kosovo, and adversely impacts its customers, discourages foreign investment here, and damages the Western Balkans economy."

#### UNMIK TOLERATES SERBIAN-AFFILIATED MOBILE COMPANIES TO OPERATE IN KOSOVO, BUT WITHIN LIMITS

13. (SBU) Given the political complexities of Kosovo, UNMIK in the past allowed Telecom Serbia and Mobtel, now owned by Norwegian company Telenor, to operate in Serb-majority areas without a license and business registration, in order to ensure that Kosovo Serbs received mobile phone services. According to UNMIK officials, in 2003-05 they offered to provide a special license to Mobtel that would allow the company to operate legally, but only in Kosovo Serb areas. UNMIK officials said that in recent weeks they again offered a special license to Telecom Serbia and Telenor/Mobtel to operate in Kosovo Serb areas, but both companies refused, for different reasons: Telecom Serbia refused the offer because its representatives claimed the company was "already licensed" by the GOS to operate here, while Telenor turned down the idea because it plans to compete for the second mobile tender operating license (ref A).

#### UNMIK PERMITS TRA TO SHUT DOWN ILLEGAL OPERATORS AND NETWORK EXPANSIONS TO PREPARE FOR SECOND MOBILE TENDER

14. (C) In November 2005, UNMIK issued an administrative directive to allow the TRA to dismantle illegal mobile phone operators throughout Kosovo. It reaffirmed this decision in October 2006, noting this was being done in preparation for the second mobile tender process. However, TRA operations to

dismantle illegal cell towers were specifically prohibited in Serb areas. Ernst Tschoepke, UNMIK Senior Legal Advisor, told USOP that in addition to Telekom Serbia and Telenor/Mobtel, a plethora of other illegal operators in Kosovo have sprung up, primarily from Albania, Macedonia and Montenegro, none of whom have applied for an operating license or registered their companies in accordance with UNMIK regulation. Tschoepke also noted that both Telekom Serbia, which is allowed only to provide services in Gracanica, and Telenor/Mobtel have progressively expanded their networks without seeking a license. Tschoepke added that all of these companies are welcome to compete for the second mobile operating license, but asserted that UNMIK and the PISG had to take action against the illegal operators to enforce proper regulation of the market and protect the integrity, legitimacy and transparency of the tender.

#### AMERICAN COMPANIES INTERESTED IN TENDER BUT COMPLAIN ABOUT THE ILLEGAL OPERATORS AND PRESENCE OF SERBIA TELECOM AND TELENOR

15. (C) American companies have evinced interest in competing for the second mobile tender operating license (ref B), but complain persistently about the illegal mobile operators and specifically about the presence of Serbia Telecom and Telenor/Mobtel. American companies have bluntly told us they will not compete for this tender unless UNMIK stops the illegal mobile operators and imposes limits on Serbia Telecom and Telenor/Mobtel, noting that these firms have an unfair advantage via their existing presence and the continuous expansion of their networks. USOP has explained to American companies the political sensitivities which allow Serbia Telecom and Telenor/Mobtel to operate in Kosovo Serb areas, but American companies remain concerned that their presence and established networks adversely impact serious competition and market opportunities for the second mobile tender license.

#### COMMENT

16. (C) Kosovo's mobile telephony market is a complex issue, one fraught with political and commercial pitfalls. While we support UNMIK's commitment to allow Kosovo Serbs the necessary mobile telephone services for their well-being, we

also have a responsibility to ensure that the tender and the mobile telephony market are clear, fair and transparent to protect American business interests. UNMIK is exercising oversight over the TRA's actions to ensure the regulator does not dismantle the mobile networks serving Kosovo Serb areas, a policy we continue to encourage. At the same time, it is important that we not discourage American investment in critical sectors of the Kosovar economy, which will bring economic benefits and jobs to Kosovo Albanians and Serbs alike. End Comment.

KAIDANOW